



**Testimony
Betsy Gara
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Before the Planning & Development Committee
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The Connecticut Council of Small Towns (COST) appreciates the opportunity to comment in **opposition** to **SB-1**.

The state and municipalities continue to face ongoing fiscal challenges. For small towns, state aid to municipalities has been largely flat funded, putting considerable pressure on property taxpayers to fund more of the cost of delivering critical services, such as education, transportation and public safety. This year, small towns are facing cuts in aid for critical programs – the Resident State Trooper program, regional fire training schools, the Nutmeg Network, Youth Service Bureaus and other programs.

Although COST appreciates the efforts of lawmakers to address concerns regarding tax exempt property and disparities in motor vehicle tax assessments, we are concerned that this bill will freeze property tax revenues at 2014 levels, forcing towns to shift a greater burden onto homeowners and other property taxpayers.

Statewide Mill Rate - COST **opposes** the provisions in **SB-1** which would authorize the state to collect motor vehicle property taxes based on a statewide mill rate and redistribute revenues to towns. The reimbursement percentages in the bill, based on population, PILOT amounts and poverty levels, will essentially freeze motor vehicle property tax levels for the vast majority of small towns at 2014 levels.

In addition, we are concerned that the motor vehicle revenues will be deposited into a separate, non-lapsing account. Unfortunately, such accounts have a tendency to lapse, particularly when the state must address budget deficits. This will erode an important source of revenue for our towns.

Restructuring of PILOT Grants - COST is very concerned that the provisions in **SB-1** to restructure the PILOT grants will essentially freeze funding levels for most small towns as 2014 levels. Moreover, because the bill retains the cap which provides that grants shall be reduced on a pro rata basis if PILOTs are not sufficiently funded, most towns will not receive the grant percentages outlined in the bill.



In addition, COST has concerns regarding the impact of the PILOT restructuring on Pequot-Mohegan grants to towns, which operate in conjunction with PILOT reimbursements.

We appreciate that the bill includes a hold harmless provision that provides that no town shall receive less than it did in FY 2014. However, unless state funding for PILOTs is significantly increased, the PILOT grants for most small towns will remain underfunded.

Regional Property Tax Base Revenue Sharing - This section of the bill establishes a regional property tax base revenue sharing system (based on a model used in Minnesota, which has not been replicated in other states). It is our understanding that the bill requires 40% of the tax base increase in commercial/industrial property assessments to go into an “area-wide tax base” pool for redistribution based on population, fiscal capacity and other municipal indices.

COST is concerned that this bill will undermine economic development initiatives in smaller towns and suburbs. Furthermore, it appears that this regional revenue sharing model will result in revenue losses for small towns.

COST therefore urges lawmakers to request a comprehensive fiscal analysis of this measure and meet with stakeholders before taking any formal action on the bill.